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# Progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa

## Report of the Secretary-General

*Summary*

Pursuant to section I of General Assembly resolution 63/263, in which the Assembly endorsed the conclusions and recommendations of the Advisory Committee on Administrative and Budgetary Questions (A/63/465), progress reports are to be submitted annually to the Assembly for all ongoing construction projects.

The present report provides an update on the current status of the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa. Furthermore, in accordance with section III, paragraph 3, of General Assembly resolution 65/259, in which the Assembly requested the Secretary-General to assess the status of conference facilities at the Commission, the present report provides an update on the engagement of consultants and sets out an overview of the work undertaken in respect of urgently needed repairs and the renovation of Africa Hall. The latest cost plan for construction is included as an annex to the present report.

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# I. Introduction

1. Section II of the present report provides an update on the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa since the previous report of the Secretary-General on the subject (A/66/351). Section III provides an update on the status of the renovation of Africa Hall.

2. By its resolution 56/270, the General Assembly approved the construction of additional office facilities at the Commission. Subsequently, in its resolution 60/248, the Assembly endorsed the expansion of the scope of the project to include the construction of two additional floors. In its resolution 62/238, the Assembly took note of the report of the Secretary-General (A/62/487) and endorsed the related recommendations of the Advisory Committee on Administrative and Budgetary Questions (A/62/7/Add.11) for a revised cost estimate totalling $14,333,100.

3. In 2011, the Secretary-General confirmed that the additional funding necessary for the construction of the seventh floor had been made available in the total amount of $1,000,145, comprising $850,000 from the support account for peacekeeping operations in respect of the United Nations Office to the African Union and $150,145 from the budget for the African Union-United Nations Hybrid Operation in Darfur. Such funding would permit construction of the building in accordance with the scope of work. The resources available for the duration of the project currently total $15,333,245.

4. As regards section III of the present report, in its resolution 65/259, the General Assembly requested the Secretary-General to expeditiously assess the status of conference facilities at the Commission, in particular Africa Hall and Conference Room 1, to ensure that they were in strict compliance with the highest international standards for conference facilities, and to report thereon in the context of his next annual progress report on the construction of additional conference facilities at the Commission.

# II. Progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa

## A. Construction progress

5. As outlined in the previous report of the Secretary-General (A/66/351), the construction contract was signed on 1 April 2010 and work began on 1 May, following four weeks of mobilization. Although the construction was expected to be substantially completed by the end of February 2012, the construction period was extended for six months to 31 August 2012 because of limited availability of cement in the local market. The duration of the construction phase has since been extended by a further four months to 31 December 2012 for the reasons explained in paragraphs 7 to 10 below. Given that the construction phase is to be followed by a three-month fit-out period, building occupancy has been rescheduled for April 2013.

6. During the reporting period, an important project milestone was reached with the substantial completion of the building superstructure, which was celebrated in a topping-out ceremony on 9 February 2012. The focus of the construction work has since turned to the completion of the exterior and interior works, including the

electromechanical systems. Although significant progress has been achieved in this regard, several serious issues persist and are being addressed proactively by the project team to ensure the successful completion of the construction project.

7. The closure of the local quarry that produced the Dega Habis limestone planned for the building exterior has necessitated a change in the exterior cladding material. Replacement options were examined with a view to keeping the substitute as close as possible to the original design intent and to ensuring delivery within schedule and as close to budget as possible. Ultimately, the Commission selected granite imported from India. The first consignment was received in July 2012.

8. In response to concerns raised by the Commission about project slippage, the contractor advised the Commission on 8 February 2012 that it had faced serious liquidity difficulties that had resulted in delays in placing orders for materials to be imported from abroad, thereby impeding the project's progress.

9. Since the importation of materials is critical to the timely completion of the project, the Commission has been monitoring the process closely. It raised strong concerns with the contractor in November 2011 following delays in providing material submittals for approval. Subsequently, following the disclosure by the contractor in February of liquidity difficulties, and to reduce the potential adverse impact on the progress of the project caused by further delays in material importation, the Commission, the Office of Central Support Services and the Procurement Division, in collaboration with the Commercial Bank of Ethiopia, agreed upon a fast-track payment process whereby the contractor could apply for payment upon presentation of certified shipping documents, rather than upon delivery on site. In addition, having acknowledged the limited capacity of the contractor to fully coordinate the importation of materials, the Commission worked with the contractor to develop a list of material submittals to be monitored and has assigned staff to assist in coordinating with the Government to support the importation process. The above measures notwithstanding, the delayed importation of materials remains a major risk to the completion of the project on schedule and, consequently, importation is being monitored closely. An added external logistical constraint is the recent introduction by the host country of a new multimodal transport, clearing and delivery system.

10. The combination of material importation delays and logistical issues poses a serious risk to the timely completion of the construction work and puts pressure on transportation costs to expedite shipping.

11. The implementation of energy-efficient measures as part of the building construction remains on track. Such measures include occupancy sensors, a passive solar hot water system, maximum use of natural ventilation and the use of an open-office-space concept.

## B. Ancillary projects

12. The ancillary projects are being undertaken in two phases. In the first phase, the activities comprise the installation of generators and a generator house, the construction of internal access roads and parking and landscaping, and were approved by the General Assembly in its resolution 62/238. In the second phase, the activities comprise the site civil and landscaping works, site electrical lighting,

sanitary works and interior partitions, and were approved by the Assembly in its resolution 56/270. The design work for the ancillary projects has been completed. Bids have been received and are currently being evaluated. Although initial indications are that the bids may be higher than current estimates, the final estimates are being determined pending negotiations with vendors and possible value engineering initiatives. Construction works are scheduled to begin in September 2012 and have been sequenced and prioritized to allow occupancy while non-critical works continue on site with minimal disruption. The required parking will be constructed at ground level instead of as a multistorey parking structure.

## C. Value engineering

13. In section VII, paragraph 5, of its resolution 66/247, the General Assembly expressed concern that an estimated expenditure of $734,000 from the contingency provision had arisen, owing to an error by the architecture and construction management consultant, which had resulted in a substantial depletion of the budgeted contingency, thereby increasing the risk to the project. In the light of the increased risk, a joint value engineering exercise was undertaken by the Commission and the Office of Central Support Services. Reductions in costs totalling $522,100, primarily by making the electromechanical systems more efficient, were identified. These changes were made without adversely affecting the overall performance and aesthetic quality of the building. Value engineering will continue to be undertaken for all project activities.

## D. Procurement

14. Three elevators were delivered to Addis Ababa in February 2012. Installation and commissioning will be completed by the end of August 2012, on schedule.

15. Five amendments to the construction contract have been processed to date. The first, as reported previously, was for the additional floor. During the reporting period, four additional amendments were processed. The second amendment was to incorporate the excess substructure quantities omitted in the initial bill of quantities, the first of two amendments dealing with errors in the bill that were reported previously. The third amendment was to change the external cladding (replacing Dega Habis limestone with Indian granite), while the fourth was to reflect the new payment modalities for the imported materials. The most recent amendment incorporates the second group of items that were originally omitted from the bill of quantities, savings identified in the value engineering exercise and mechanical design revisions.

16. Two generators were imported with the assistance of the host Government and arrived in Addis Ababa in April 2012.

17. The procurement process for the installation of data and communication network infrastructure has been completed. The procurement schedule for the ancillary projects remains tight, although achievable with continuous monitoring, and the procurement schedule for the interior fit-out, which includes office partitions, workstations and furniture, is on track.

## E. Host country agreement

18. The voucher system for value added tax-free status in respect of local purchase of goods and services for the project continues to be implemented. The Commission has continued to work collaboratively with the host Government through the Ministry of Foreign Affairs on all issues relating to the delivery of construction materials and other services required in the interest of the operational efficiency of the construction project.

19. In accordance with the agreement on the additional office facilities with the host country, discussions are under way with utility providers to assist in establishing timely connections to the electricity network and to facilitate the provision of water connections. To this end, the host Government, through the Ministry of Foreign Affairs, has been requested to intervene to ensure the timely delivery of those services, which include two electrical transformers, switchgear, access roads, walkways, a drainage system and security lights.

20. The project is in its final stages and the support of the host Government is critical in facilitating the smooth delivery of the required infrastructure components.

## F. Project management

21. The Commission's project management team, which reports directly to the Director of Administration, faces an additional burden as it strives to support the contractor in expediting importation of materials to ensure that the project is operational and delivered successfully. The Executive Secretary of the Commission continues to oversee the project. The Compound Advisory Committee, which includes representatives of all major United Nations agencies based in Addis Ababa, continues to provide advice on the project, including approval of the stacking plan for the building and the interior set-up.

22. The independent technical adviser and quantity surveyor contracted in March 2011 are advising and reporting to the Director of Administration and continuing their role in verifying executed work, contractor invoices and major change orders.

23. The respective administrative sections within the Division of Administration and the Security and Safety Section of the Commission continue to provide additional technical and administrative expertise in their respective areas for both the building construction and the ancillary projects.

24. In addition, the Office of Central Support Services continues to provide the necessary coordination, support and guidance in terms of project management and technical matters. A mission was undertaken in November 2011 by senior-level representatives from the Office and the Procurement Division to support the Commission in the overall management of the project. The Assistant Secretary-General of the Office visited the project in February 2012 and met senior representatives of the contractor and consultant companies to review the status of the project and determine solutions to problem areas, including the delay in material importation. The Office and the project management team continue to hold weekly conference calls and monthly senior management videoconferences as part of their project support.

## G. Security coordination

25. The installation of security systems for the additional office facilities is being coordinated by the Security and Safety Section of the Commission as part of the security systems upgrade for the compound being executed and funded under the second phase of the standardized access control system project. The security systems are to consist of access controls, alarm monitoring and a closed-circuit television system. They will be installed during the final stages of construction and will use common infrastructure being put in place for the information and communications services, the installation of which is being coordinated by the Information Technology Services Section of the Commission.

26. As previously reported, blast-resistant film will be installed on the window glazing to meet current physical security requirements.

## H. Occupancy plan

27. Through the Compound Advisory Committee, the stacking plan for the building has been approved by the Executive Secretary and acceptance letters confirming their intent and specific requirements have been received from five agencies: the United Nations Office to the African Union, the United Nations Children's Fund, the United Nations High Commissioner for Refugees Regional Liaison Office for Africa, the United Nations Office for Project Services and the World Health Organization. In addition, the United Nations Office on Drugs and Crime and the United Nations Entity for Gender Equality and the Empowerment of Women will be accommodated within the compound following the restacking of the other buildings.

28. The additional office facilities will be fully occupied by 647 staff, consistent with the requirements reported by the Secretary-General in 2007 (see A/62/487).

29. The Compound Advisory Committee has approved the open-office furniture concept planned for the building and is currently coordinating the joint purchase of that furniture. As previously reported, the cost of the interior set-up will be met by the future occupants of the facilities.

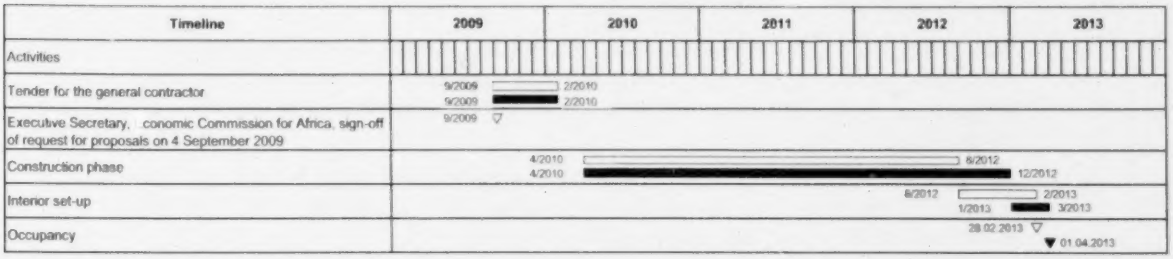
30. The future occupants receive regular updates on progress in construction and were given advance notice of the potential delays in occupancy. They have been requested to mitigate such risks by incorporating flexibility into their current lease agreements.

## I. Project schedule

31. The revised project schedule is shown in the table. The construction phase has been extended by four months, with the occupancy date put back by one month. The overall impact on the project schedule is therefore a one-month delay compared with the schedule reported previously, necessitated by the contractor-generated delay in importing materials in a timely manner. The delays in ordering materials have been further exacerbated by the long lead times required for the manufacture and importation of some materials, notably electromechanical items.

32. The construction of the building is now scheduled for completion in December 2012. The project team has developed measures to minimize further schedule delays, including expediting the manufacture and importation of critical electromechanical items, scheduling a phased handover of the building to accelerate interior fit-out activities (so that occupancy remains as close to the previous schedule as possible) and facilitating phased move-in where possible.

**Revised project schedule for the additional office facilities at the Economic Commission for Africa**




## J. Cost estimates

33. The overall project budget remains at $15,333,244, as presented in the previous report of the Secretary-General (A/66/351). A detailed breakdown of the latest cost estimate is provided in the annex to the present report.

34. As previously highlighted, of the total project budget, $1,000,145 came from the budgets of the United Nations Office to the African Union and the African Union-United Nations Hybrid Operation in Darfur. An amount of $750,000 was received in 2011 and the balance in May 2012.

35. The increased costs incurred by the amendments to the construction contract notwithstanding, the estimated total cost of the project remains unchanged because the increase has been offset by the savings realized from the value engineering exercise undertaken for the additional office facilities. Accordingly, the building construction cost has now decreased from the $9,194,940 reported previously to $8,955,775. This was the primary factor in the increase in the contingency amount from $191,186 to $421,301, creating leeway to mitigate further risks to the project.

36. As noted previously, the facts relevant to the discrepancies found in the bill of quantities resulting from an error on the part of the architectural/engineering consultant were referred to the Office of Legal Affairs, which reviewed the consultant's admission that its initial estimated quantities were erroneous and concluded that the consultant was in breach of contract and that the United Nations could therefore seek to claim reliance damages and any other extraneous costs that it had incurred as a result of that breach. The Office also noted that reliance damages might have to be offset against any increase in market value of the completed works.

37. In the light of the recommendations of the Office of Legal Affairs, the Commission informed the consultant that it intended to make a claim against it,

although no claim will be entered into until the end of the project, when the extent of the damages is known. Any decision on further action will be made immediately after the project has been completed.

### K. Conclusion

38. The Commission is working proactively with the contractor to mitigate the construction delays that have occurred in order to complete the project construction work by the end of December 2012.

39. Taking into account the delays in material importation, the project team has strengthened the process of approving material submittals and continues to work diligently with the host Government to avoid further delays owing to importation restrictions.

40. The estimated date of occupancy of the building is April 2013. The Compound Advisory Committee is coordinating the interior fit-out, including the system furniture installation and other common issues.

## III. Status of the renovation of Africa Hall

### A. Project summary

41. In accordance with section III, paragraph 3, of General Assembly resolution 65/259, the Commission, in collaboration with the United Nations Educational, Scientific and Cultural Organization and the African Union, began its initiative to renovate Africa Hall to make it a monument to modern African history on the occasion of Commission's fiftieth anniversary. The functionality of Africa Hall was evaluated with a view to achieving a modern conference facility, incorporating exhibition and museum spaces, upgrading all furniture and conference support installations, preserving and restoring the historical and cultural values embedded in the architecture, enhancing its safety and incorporating access for persons with disabilities.

42. To achieve the above, it was considered essential to acquire the services of a team of specialized professional consultants to produce a coordinated design (architectural, structural, mechanical, electrical, information and communications technology, interior design and quantity surveying) and thus achieve the required quality of renovation.

43. Following the issuance of the previous report of the Secretary-General, the Commission finalized the terms of reference for the required consultancy services and the procurement process is in its final stages. Once the consultant has produced a final report, providing the design and specification of the necessary renovation works, the Commission will assess the programme and project scope, determine the duration of the project and identify the resources required. The Secretary-General will present his proposal thereon to the General Assembly once the consultancy has been concluded and the results considered.

44. The Commission's initial assessment is that future restoration and renovation works will include replacing the elevators, protecting the exterior stone, repairing

the window gaskets and sealants and replacing the galvanized piping and the deteriorating sanitary fixtures.

### B. Project schedule

45. The Secretary-General requested resources of $437,000 in the proposed programme budget for the biennium 2012-2013 (A/66/6 (Sect. 34)) for the first phase of the renovation of Africa Hall, to undertake urgent structural tasks such as roof waterproofing, perimeter wall repair and replacement of outdated plumbing and electrical systems. The resources were approved by the General Assembly and the waterproofing of the terrace and roof slab works have been completed. The Commission will use the remaining resources to contract a team of professional consultants and to complete the most pressing electromechanical and architectural works for the remainder of the biennium.

## IV. Action to be taken by the General Assembly

46. **The General Assembly is requested to take note of the present report.**

# Annex

## Current cost plan for the construction of additional office facilities at the Economic Commission for Africa

(United States dollars)

| | *Expenditure as at 31 December 2011* | *Expenditure January-April 2012* | *Projected expenditure May-December 2012* | *Estimated total for 2012* | *Total* |
|---|---|---|---|---|---|
| Approved in resolutions 56/270 and 60/248 | | | | | |
| Construction costs[a] | 7 189 295 | 1 571 868 | 194 612 | 1 766 480 | 8 955 775 |
| Design, consultancy services and project coordination | 1 472 849 | 5 346 | 56 356 | 61 702 | 1 534 551 |
| Site work[b] | 160 682 | | 1 048 335 | 1 048 335 | 1 209 017 |
| Workstations and furniture | | | 262 800 | 262 800 | 262 800 |
| Contingencies[c] | | | 421 301 | 421 301 | 421 301 |
| Approved in resolution 63/263 (programme budget for the biennium 2008-2009) | | | | | |
| Installation of information technology and telephone equipment | | | 1 100 000 | 1 100 000 | 1 100 000 |
| Approved in resolution 62/238 | | | | | |
| Safety and security[d] | 759 800 | | | | 759 800 |
| Internal access roads[e] | | | 130 000 | 130 000 | 130 000 |
| Parking and landscaping[e] | | | 660 000 | 660 000 | 660 000 |
| Generators and generator house[e] | 155 245 | | 144 755 | 144 755 | 300 000 |
| **Total** | **9 737 871** | **1 577 214** | **4 018 159** | **5 595 373** | **15 333 244** |

[a] Construction costs include the main contract value of $7,451,745, as signed on 1 April 2010; additional resources totalling $1,000,145 from the budgets of the United Nations Office to the African Union and the African Union-United Nations Hybrid Operation in Darfur for the top floor; and amendments 1-5 totalling $1,025,985, less the value engineering savings of $522,100.

[b] Ancillary projects phase II.

[c] Budgeted contingency of $925,186 is shown here at a residual value of $42 ,301 (higher than the $191,186 reported in 2011) as a result of savings from value engineering.

[d] Resources in the amount of $759,800 for security requirements were approved under section XXIII, safety and security, in resolution 62/238 as part of the programme budget for the biennium 2008-2009.

[e] Ancillary projects phase I.